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**ANALYSIS OF PFCCI AND NON-PFCCI
CREDIT COOPERATIVES IN THE PHILIPPINES:
AN INTERIM REPORT**

by

Douglas H. Graham

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Agricultural Finance Program
Department of Agricultural Economics
and
Rural Sociology
The Ohio State University
2120 Fyffe Road
Columbus, Ohio 43210-1099

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Abstract

Management and Member Surveys are currently underway analyzing the credit union movement in the Philippines. This interim report reviews the financial performance of two credit unions belonging to the Philippine Federation of Credit Cooperatives Inc. (PFCCI) and eight rural credit unions not attached to any regional or national federation. In addition the socio-economic status and borrowing and savings behavior of a randomly selected set of members in the latter group is presented for discussion. Implications for proper credit union management are drawn out for discussion.

**ANALYSIS OF PFCCI AND NON-PFCCI
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I. Introduction

This report first presents financial ratio analysis for two credit cooperatives in the Philippine Federation of Credit Cooperatives Inc. (PFCCI) family of credit cooperative unions (hereafter referred to as CCUs). The results of this analysis illustrate the nature of interpretive research that can be carried out with the balance sheets and income statements of the remaining CCUs in the PFCCI network. The next section briefly reviews the status of the CCU manager survey and the CCU member survey that the PFCCI is carrying out in collaboration with the Philippine Institute of Development Studies (PIDS) and The Ohio State University (OSU). The final section presents a succinct summary of a 200 member random sample survey of CCU members from eight non-PFCCI credit cooperatives from selected regions in the Philippines. This latter effort was recently completed by PIDS as part of a PIDS-OSU project investigating the socio-economic status of CCU members and their participation in formal and informal financial markets as well as their activity in their respective CCUs. The research design behind this non-PFCCI survey forms the basis for the manager and non-manager surveys currently being carried out in the PFCCI-PIDS-OSU project. Therefore the findings should prove helpful as a comparative benchmark for the

results that will emerge from the PFCCI-PIDS-OSU field survey. A concluding section draws out the implications of these two studies for our understanding of the role and performance of credit unions in low-income countries.

II. Financial Ratio Analysis: A Case Study Of Two PFCCI Credit Cooperatives

Financial ratios offer useful insights into the performance of CCU activity. Two case studies are presented here to illustrate the type of analysis that could be carried out for all PFCCI CCUs once systematic balance sheets and income statements are documented for all credit cooperatives in the PFCCI network. The two CCUs under review here are Tabuk in Northern Luzon and Paco in the Metro Manila area. Both are open community based credit cooperatives.

A. TABUK

The sixth page of the tables on the Tabuk CCU present asset concentration and deposit share ratios, loans to savings deposit ratios and profitability (or net income) ratios. Net income to share capital rose from 10 percent in 1984 to between 18 and 23 percent in the ensuing four years. This is a very respectable rate of return for the CCU to build upon to expand benefits for its members in the future. As expected, loans form the preponderant share of assets and savings deposits remained small compared to fixed deposits (i.e., share capital), averaging around 13 percent over the five year period (1984-88). The loans to savings deposit ratio was correspondingly quite high, with loans fluctuating between 8 and 13 times savings deposits. Clearly fixed deposits form the base for the expansion of loan activity rather than savings deposits. Tabuk has focused on expanding its membership base

thereby increasing its fixed deposit base substantially over this period. On page 2 of the statistical tables for Tabuk it can be seen that share capital increased from 1.8 million pesos in 1984 to 22 million pesos in 1988. Page one also highlights the rapid increase in interest paid on share capital and the rewards to borrowers through the patronage refund, both of which increased rapidly over this period (the zeros in the balance sheet and income statements indicates that there were no data entries recorded by the CCUs for these items).

These indicators underline the built-in incentives for attracting more members and increasing the share contributions of existing members to secure greater amounts for future loans. Consequently we see a substantial increase in loans receivable on page one, rising from 1.8 million pesos in 1984 to 25.8 million pesos in 1988. There was a corresponding increase in interest earned on loans (page 4) rising from 197 thousand pesos in 1984 to 3.8 million pesos in 1988. Gross income increased 16 fold over these years while gross expenses increased only 8 fold. As a result net savings or net income (before statutory provisions) increased 20 fold from 1984 to 1988 thereby creating the impressive net returns on capital set forth earlier.

Tabuk is growing rapidly and securing its future with excellent net returns on either equity (share capital) or assets, the two conventional measures of performance for a financial institution. Nevertheless several questions arise out of this performance that merit comment. First, it is clear that membership expansion (i.e., share capital) lay behind the rapid increase in assets (i.e., loans) during this period. The question here is the degree to which Tabuk can continue to rely on this source of expansion for comparable rates of expansion in the future. The greater the rate of membership expansion, the greater the

likelihood that the membership base will move beyond the relevant peer group bond which the CCU feels comfortable in managing. Furthermore, it becomes necessary to incorporate more savings deposits to secure the additional resources required to service the loan multiple leverage for loans. There comes a point where this becomes difficult through share capital alone. Furthermore the greater the relative potential role of savings deposits in the future, the greater will be the need to introduce more sophisticated liability management practices compared to those associated with share capital funding. This suggests that the WOCCU/PFCCI technical assistance component will necessarily have to play a more important role in Tabuk's future expansion possibilities.

Second, the rapid growth in net savings (see the income statement graph following the tables), implies a rapid growth in surplus funds in Tabuk. The very first line in the first table denoting the asset composition of Tabuk indicates that "cash on hand and in banks" has grown 18 fold over these four years. In short, deposits in banks and voluntary reserves have grown sufficiently that one can imagine this surplus now reaching a size to service the growth of the Central Liquidity Fund (CLF) currently expanding in the PFCCI network with WOCCU support. The issue here is to begin to transfer some of these surplus funds from the banking system into the network's Central Liquidity Fund to better serve the expansion of the PFCCI system. This highlights the growing net surplus base within the PFCCI network and the existence of a promising base for the growth of the system's CLF.

TABLE CREDIT COOPERATIVE, INC.
BALANCE SHEET

Balance Sheet Item	1984	1985	1986	1987	1988
A S S E T S					
Current Assets					
Cash on Hand and in Banks	195,618.31	259,542.68	313,842.59	215,111.57	3,554,378.73
Petty Cash and Petty Loan Fund	400.00	2,400.00	2,000.00	6,800.00	0.00
Cash Advance	0.00	0.00	1,213.25	3,129.85	0.00
Short-term Investments†	0.00	0.00	0.00	0.00	0.00
Loans Receivable:net of allowance for bad debts	1,776,182.93	4,521,644.52	8,648,616.54	16,508,671.29	25,792,147.86
Interest and Other Receivables	167,825.75	232,187.36	339,225.66	413,485.68	841,111.79
Prepaid Interest	0.00	0.00	0.00	0.00	0.00
Unexpired Bond Premium	0.00	0.00	0.00	348.18	382.85
Prepayments††	250.00	0.00	412.85	0.00	0.00
Time Deposits	0.00	0.00	0.00	0.00	69,227.92
Other Current Assets†††	0.00	0.00	0.00	0.00	69,227.92
TOTAL CURRENT ASSETS	2,140,276.99	5,217,694.56	9,296,511.19	17,147,546.49	30,326,388.27
Fixed Assets					
Land	0.00	0.00	0.00	143,000.00	0.00
Properties & Equipment--net of accumulated depreciation	5,627.62	7,420.21	13,981.23	525,988.79	783,472.32
TOTAL FIXED ASSETS	5,627.62	7,420.21	14,121.23	668,988.79	883,472.32
INVESTMENTS††††	1,032.00	25,141.88	53,759.00	56,887.45	89,986.54
OTHER ASSETS†††††	173.25	3.00	0.00	0.00	5,225.32
TOTAL A S S E T S	2,147,079.86	5,250,391.47	9,364,391.42	17,872,622.73	31,155,768.31
LIABILITIES, FUNDS & EQUITY					
LIABILITIES					
Savings Deposit	172,575.78	334,843.91	753,122.09	991,553.25	2,493,362.63
Time Deposit	40,377.44	39,116.18	148,111.24	224,885.84	583,645.60
Accounts Payable	0.00	70.00	184.00	0.00	0.00
Loans Payable	0.00	93,536.67	0.00	153,861.22	0.00
Interest on Share Capital Payable	0.00	448,974.18	858,622.77	1,382,319.56	2,382,554.19
Interest on Savings Deposit Payable	0.00	0.00	0.00	0.00	0.00
Interest on Time Deposit Payable	0.00	0.00	0.00	0.00	0.00
Accrued Expenses Payable	0.00	0.00	0.00	0.00	0.00
Withholding Taxes Payable	0.00	1,232.13	211.60	395.00	0.00
Due to COTF	17,997.63	57,623.31	131,442.09	251,435.11	451,630.47
Patronage Refund Payable	0.00	111,743.52	212,655.69	345,573.89	577,138.55
Admin. Fee Payable	0.00	0.00	0.00	0.00	0.00
Interest Payable	0.00	0.00	0.00	0.00	0.00
Other Liabilities††††††	0.00	0.00	0.00	0.00	584.58
Deferred Income	0.00	0.00	0.00	0.00	0.00
Other Liabilities†††††††	12,282.00	0.00	0.00	0.00	55,699.00

TABUK CREDIT COOPERATIVE, INC.
BALANCE SHEET

Balance Sheet Item	1984	1985	1986	1987	1988
TOTAL LIABILITIES	239,451.79	1,125,119.74	2,096,269.48	3,348,364.87	6,887,632.87
F U N D S					
General Reserve Fund	5,472.42	171,621.86	437,441.47	797,841.31	1,278,829.67
Educational Fund	11,128.65	43,536.88	111,523.14	204,263.86	347,358.20
Kilusang Bayan Guarantee Fund	4,922.15	14,902.39	20,684.34	58,197.11	88,976.00
Audit Contingency Fund	11.93	15,397.59	0.00	0.00	0.00
Loan Protection Plan Fund	0.00	0.00	0.00	0.00	0.00
Donated Capital	0.00	0.00	0.00	0.00	0.00
Other Funds*****	0.00	0.00	41,093.45	77,216.30	346,622.57
Undivided Savings	0.00	0.00	0.00	0.00	0.00
Net Savings for the Period	0.00	0.00	0.00	0.00	0.00
TOTAL FUNDS	21,535.15	245,457.92	610,742.40	1,137,518.58	1,861,786.44
MEMBERS' EQUITY					
Share Capital*****	1,866,086.92	3,679,792.86	6,657,379.54	10,386,740.38	21,193,385.72
TOTAL LIABILITIES, FUNDS & EQUITY	2,147,077.86	5,050,376.52	9,364,391.42	17,872,622.73	38,942,805.03

*Short-term Investments: Time Deposits, Trust Indentures
 **Prepayments: Prepaid Insurance, Prepaid Maintenance
 ***Other Current Assets: Merchandise Inventory, Office Supplies Inventory, Unused Office Supplies
 ****Investments: Capital Build-up
 *****Other Assets: Guarantee Deposit, Acquired Assets, Education Fund, Advances to Officers and Employees, Capital Meter Deposit, Acquired Assets
 *****Other Payables: Bonus Payable, Share Capital, SSS, Medicare Premium, Loans Payable
 *****Payables: PPS-IBIS Funds Payable, Mortuary Aid Payable
 *****Other Funds: Mortuary Catavan Fund, Cash Over & Short Fund, Medico-Dental Fund, Construction & Expansion Fund, KE Guarantee Fund
 *****Other Liabilities: Advances from Officers, Death Benefit Plan, Loan, Due to CUP Insurance Plan, Accrued Honorarium
 *****Share Capital: Fixed Deposits, Net Income for the Period

NOTE: (0.00) - Item not declared a Balance Sheet account by the CCU

TABUK CREDIT COOPERATIVE, INC.
DISTRIBUTION OF NET SAVINGS

Item	1984	1985	1986	1987	1988
NET SAVINGS BEFORE PROVISIONS	129,319.33	231,333.49	1,457,829.51	2,170,339.52	3,958,750.59
Provision for ASBF	7,360.52	12,838.24	18,946.12	239,966.24	49,112.59
Provision for CEIF	19,727.18	79,211.36	147,677.56	239,966.24	400,790.56
General Reserve Fund	34,714.92	142,580.46	265,819.61	431,974.55	721,400.18
Interest on Share Capital and Patronage Refund Payable	1,692,115.16	3,679,798.25	850,622.77	1,382,319.55	2,338,554.19
	27,831.62	114,064.37	212,655.69	345,579.59	577,173.55

Income Statement		1984	1985	1986	1987	1988
Item						
GROSS INCOME						
Interest on Loans		197,749.93	629,522.32	1,222,148.02	2,213,259.45	3,781,563.70
Service Fee		86,216.93	237,339.45	434,328.64	566,867.58	928,814.88
Filing Fee		0.00	0.00	0.00	0.00	0.00
Fines		14,098.29	30,385.52	47,804.27	70,873.97	75,113.81
Surcharge		0.00	0.00	0.00	0.00	0.00
Membership Fee		2,260.00	2,860.00	4,340.00	11,260.00	17,080.00
Seminar Fee		0.00	0.00	0.00	0.00	0.00
Interest Income		0.00	0.00	0.00	0.00	0.00
Income from Investment		0.00	0.00	0.00	0.00	0.00
Annual Dues		200.00	200.00	200.00	200.00	0.00
Inspection Fee		0.00	0.00	0.00	0.00	0.00
Notarial Fee		0.00	0.00	0.00	0.00	0.00
Other Income**		5,706.41	163,729.12	185,998.95	89,816.00	113,518.03
TOTAL GROSS INCOME		386,251.56	1,064,036.41	1,894,811.88	2,952,277.02	4,916,069.62
EXPENSES						
Interest Expense		0.00	0.00	0.00	0.00	0.00
Savings Deposit		0.00	0.00	0.00	0.00	0.00
Time Deposit		0.00	0.00	0.00	0.00	0.00
Loans		0.00	0.00	0.00	0.00	0.00
Sub-total		0.00	0.00	0.00	0.00	0.00
Administrative Cost						
Salaries & Wages		41,570.00	78,225.00	123,612.00	166,562.00	221,075.70
Honoraria & Per Diem		0.00	0.00	0.00	0.00	0.00
Clothing Allowance		0.00	0.00	9,360.00	2,000.00	3,523.22
Living Allowance		0.00	0.00	0.00	0.00	0.00
Rep. Allowance		0.00	0.00	0.00	0.00	0.00
Collection Expenses		0.00	0.00	0.00	0.00	0.00
Personnel Development Expenses		0.00	0.00	0.00	0.00	0.00
Sick Leave and Vacation Leave		0.00	0.00	0.00	0.00	0.00
Transp. Allowance		391.75	349.00	811.50	2,439.50	4,410.00
13th Month Pay		2,000.00	5,830.00	9,112.50	12,406.95	16,375.22
Bonus		0.00	21,420.00	34,357.20	32,200.00	55,599.00
PAG-IBIG Contribution		0.00	0.00	0.00	0.00	0.00
SSS, MED & SGC		0.00	1,763.00	3,405.60	6,117.30	5,751.90
Overtime Pay		0.00	0.00	0.00	0.00	0.00
Allowances-Committees		0.00	0.00	0.00	0.00	0.00
Tellers' Allowance		0.00	0.00	0.00	0.00	0.00
Board Meeting Expense		425.00	1,744.70	2,425.95	5,455.25	7,996.50
Incentive Pay		0.00	0.00	0.00	0.00	4,800.00
Other Administrative Costs**		0.00	0.00	0.00	0.00	0.00
Sub-total		44,186.75	105,732.50	183,084.75	227,181.00	321,541.10
Other Operating Expense						
Stationery & Office Supplies		4,550.10	8,178.25	7,096.05	14,279.75	29,431.70
Postage, Telephone & Periodicals		0.00	0.00	0.00	0.00	698.50
Light & Water		0.00	201.65	646.95	736.47	2,879.35
Repairs & Maintenance		50.00	584.50	6,599.50	246.50	1,229.00

CONSOLIDATED INCOME STATEMENT
TABUK CREDIT COOPERATIVE, INC. •

Income Statement		1984	1985	1986	1987	1988
Item						
Depreciation Expense		643.86	846.41	2,443.28	7,649.95	26,249.48
KB Guarantee		3,868.52	18,838.24	18,946.12	29,528.77	49,168.89
Inspection Expenses		0.00	0.00	0.00	0.00	0.00
Insurance		0.00	0.00	0.00	0.00	0.00
Bank Charges		0.00	564.98	2,886.64	2,831.60	9,991.89
Office Rent		3,000.00	4,000.00	7,200.00	8,400.00	1,365.00
Audit Expense		0.00	0.00	3,882.50	6,626.95	4,692.00
Promotion/Advertisement/Donation		358.00	1,410.00	887.50	810.00	4,611.50
General Assembly		0.00	7,891.00	28,024.50	54,856.00	78,072.00
Bad Debts		0.00	0.00	0.00	0.00	0.00
NCU* Expenses		0.00	0.00	0.00	0.00	0.00
Retainer's Fee		0.00	0.00	0.00	0.00	0.00
Security Service		0.00	0.00	0.00	0.00	0.00
Legal Expenses		0.00	0.00	0.00	0.00	0.00
Separation Pay		0.00	0.00	0.00	0.00	0.00
Taxes & Licenses		0.00	1,156.00	1,228.13	500.00	234.75
Interest Rebate		3,940.00	29,416.82	75,068.99	63,821.20	174,138.19
Training, Seminar & Conference Expenses		21,552.42	0.00	0.00	0.00	0.00
Mutua Expense		19,621.00	0.00	0.00	0.00	0.00
Bond Expense		0.00	780.00	412.85	824.25	824.25
Contractual Services		0.00	0.00	0.00	0.00	0.00
Representation & Entertainment		450.75	1,944.00	2,000.00	2,500.20	3,250.00
Travelling Expenses		0.00	0.00	0.00	0.00	0.00
Miscellaneous***		945.51	1,411.48	1,539.20	2,524.75	2,512.15
Sub-total:		58,207.16	68,344.45	158,862.21	214,528.39	389,389.55
Ed Con. Expense		0.00	0.00	0.00	0.00	0.00
Administrative Expense		0.00	0.00	0.00	0.00	0.00
TOTAL EXPENSES		111,876.88	211,168.73	417,635.75	552,816.45	988,175.34
NET SAVINGS BEFORE STATUTORY PROVISIONS		194,371.71	952,857.68	1,477,176.13	2,400,260.35	4,807,914.28

- 1/ Interest on loans(net of rebates)
2/ Interest Rebates incorporated in Interest on Loans

- no data available

NOTE: *Other Income: Dividend Income, Withdrawal Fees, Supply Sales, Terminal Fees, Registration Fees, Commission Income, Application Fees, Rent Income

**Other Administrative Costs: Commission, Employees Longevity Pay

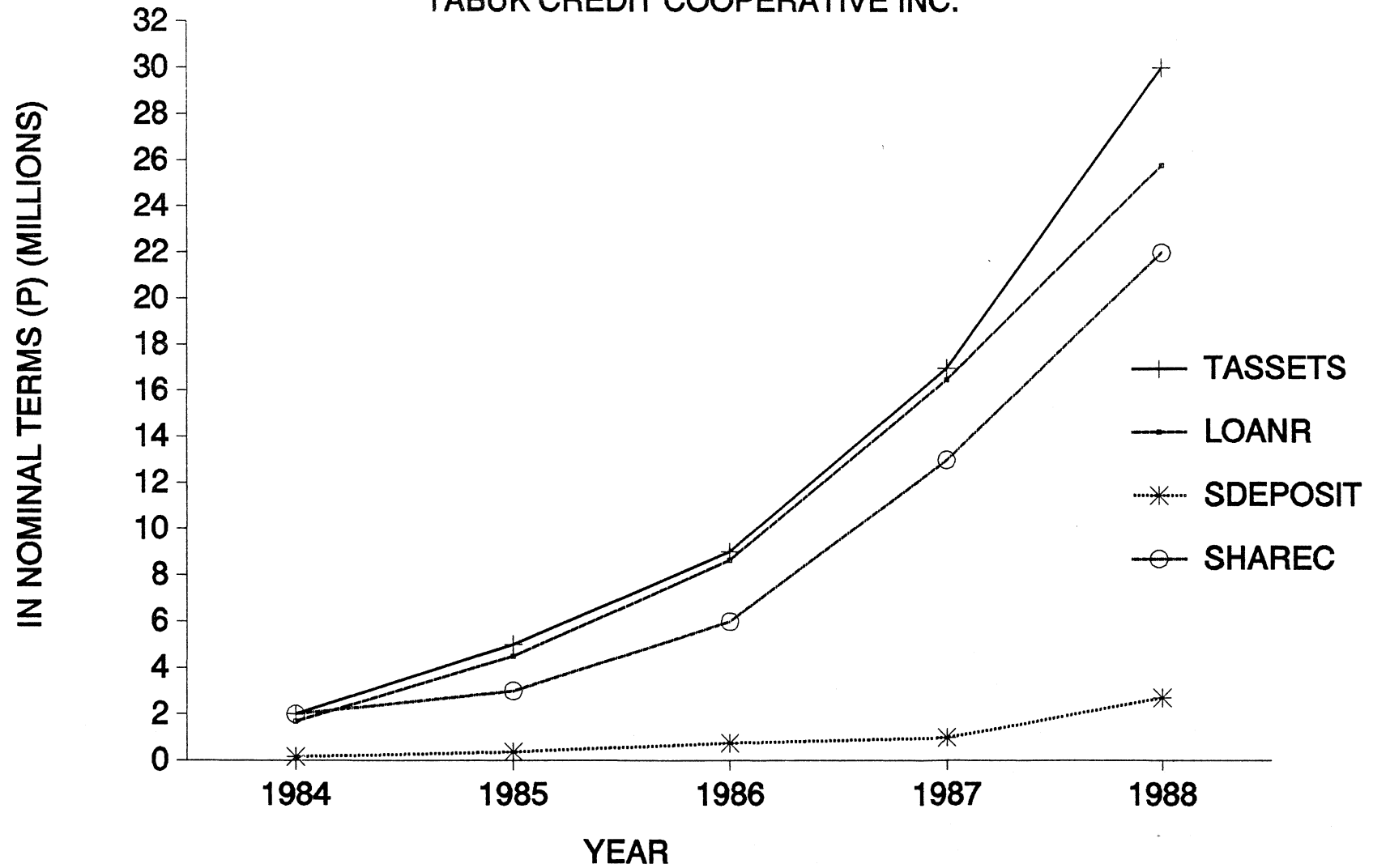
***Miscellaneous Expenses: Computer Expense, Professional F
Office Improvements Expenses, Membership Affiliation Dues, Mortuary Expenses, Mass Dues, Election Expenses,
Registration Expenses, Sponsors Fee, Management Information System

TAPUK CREDIT COOPERATIVE, INC.
FINANCIAL RATIOS 1984 - 1988

RATIOS	1984	1985	1986	1987	1988
Asset Concentration:					
Current Assets to Total Assets	0.997	0.993	0.993	0.989	0.973
Fixed Assets to Total Assets	0.003	0.001	0.002	0.037	0.026
Loans to Total Assets	0.03	0.02	0.02	0.02	0.03
Share of Deposits:					
Deposits to Total Liabilities	0.98	0.97	0.43	0.36	0.51
Deposits to Share Capital	0.11	0.11	0.14	0.09	0.16
Deposits to Total Resources	0.10	0.08	0.10	0.07	0.11
Loans to Deposits Ratio	0.41	10.62	9.59	13.58	7.38
Profitability Ratios:					
Net Income before statutory provisions to Gross Income	0.63	0.80	0.73	0.81	0.82
Interest on Loans to Gross Income	0.65	0.59	0.75	0.75	0.77
Interest on Loans to Net Income before statutory provisions	1.02	0.74	0.83	0.92	0.94
Net Income before statutory provisions to Share Capital	0.10	0.23	0.22	0.18	0.18
Net Income before statutory provisions to Total Assets	0.09	0.17	0.16	0.13	0.13

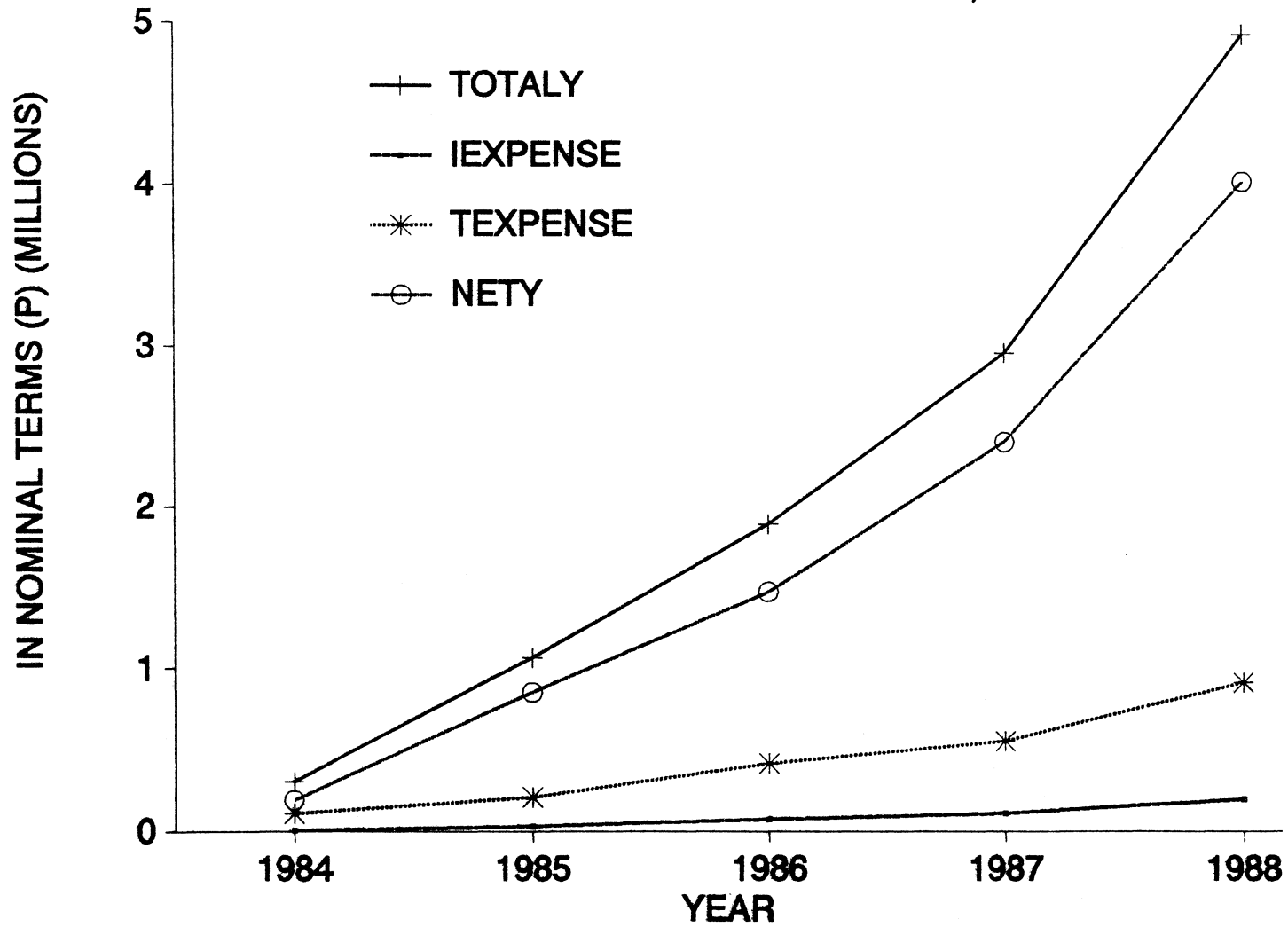
BALANCE SHEET

TABUK CREDIT COOPERATIVE INC.



INCOME STATEMENT

TABUK CREDIT COOPERATIVE, INC.



B. PACO

The financial ratio analysis for the Paco CCU in the Metro Manila area presents a sharp contrast to that of Tabuk. The overall level of net income on share capital (page 6 of the tables on Paco) has fluctuated between 7 and 10 percent for the first four years of this period (1984-7). Moreover, in 1988 this net return fell to 2 percent, an uncomfortably low level and a marked contrast to the 18 percent return registered for Tabuk for 1988. Clearly something was happening in the Paco CCU to drive down the trend in net income or savings.

Net income (or savings, the terms are used interchangeably) to gross income declined from 61 percent to 6 percent over this period. This is striking evidence that costs were rising over this period. The data on expenses (on page 4 of the Paco tables) underscore the sharp rise in salaries and wages. This expense item increased 45 fold from 1984 to 1988 (from 2 thousand to 90 thousand pesos). At the same time there was a substantial rise in miscellaneous expenses from roughly 2 and one half thousand pesos to 19 thousand pesos (on page 5).

The profile of liability composition for Paco (on page one) indicates a rapid growth in savings deposits from 31 thousand to 262 thousand pesos over this period. The financial ratios on page 6 indicate that savings deposits were growing as a share of total resources (from 12 to 26 percent) and as a ratio to share capital (from 15 to 40 percent). In contrast to Tabuk, the Paco CCU promoted a growth in savings deposits as a base for servicing the growth in loan activity. Moreover it would appear that the Paco management was successful in increasing its loan services as loans receivable (net for bad debt) rose from 26 thousand

in 1984 to 87 thousand pesos in 1988 (page one). At the same time, interest earnings on loans increased from 18 thousand pesos (1984) to 102 thousand pesos (1988) on the top of page 4. This source of income in conjunction with service fees led to a respectable increase in gross earnings (from 30 thousand in 1984 to 179 thousand pesos in 1988 on page 4).

Therefore, it would appear that the rapid growth in savings deposits generated an ample and growing resource base to service an increase in loan activity, interest earnings, and gross income. However, this was associated with an even greater increase in total expenses. Whereas gross income increased 6 fold, total expenses grew 14 fold over this period leading to the declining trend in net income and the declining return of net income to share capital noted earlier.

The principal rise in costs was salaries and wages. Was this associated with the growth in savings deposits? Did the more sophisticated and full time, paid management, generally necessary to manage growing savings deposits and withdrawals, lead to this explosion in costs or was it something else? The aggregate data in the income statement and balance sheets cannot answer this question, but they clearly identify the problem and presumably would allow the WOCCU/PFCCI team to quickly sort out the answers and address the problem.

Finally it is instructive to note that the growth in cash on hand (for voluntary reserves) and in banks (line one on page one) grew only 3.3 times over this period whereas in Tabuk this asset item grew 18 times over the same period. Moreover this contrasts to a 16 fold increase in savings deposits in Paco. Presumably liquid reserves (as cash or bank deposits) are held as a safety cushion to service savings deposit withdrawals. Whereas this

reserve was growing rapidly in Tabuk it was not in Paco. Indeed the ratio of this liquid reserve item to savings deposits declined from 82 percent in 1984 to 22 percent in 1988. Curiously the same ratio in Tabuk was 114 percent in 1984 and 132 percent in 1988 since Tabuk relied much less on savings accounts and more on share capital to service its loan demand. This indicates that Tabuk has a large liquid reserve. It certainly does not need a ratio this high to protect against any run on its small base of savings deposits. On the other hand, the Paco CCU in the face of rising savings deposit accounts has experienced a substantial decline in its liquid reserve position. In this sense Paco clearly does not have a comparable surplus position as Tabuk to be transferred to the PFCCI Central Liquidity Fund. At the same time its declining liquidity reserve in the face of the rising volume of savings deposits raises questions about the appropriate level of risk exposure the CCU should allow in its reserve position. No doubt the WOCCU/PFCCI team has a good track record in determining this appropriate level and would be in a position to monitor the Paco performance in this regard.

PACO CREDIT COOPERATIVE, INC.
BALANCE SHEET

Balance Sheet Item	1984	1985	1986	1987	1988
A S S E T S					
Current Assets					
Cash on Hand and in Banks	26,320.28	25,592.14	30,892.24	20,564.00	27,784.00
Petty Cash and Petty Loan Fund	500.00	500.00	500.00	0.00	0.00
Cash Advance	0.00	0.00	0.00	0.00	0.00
Short-term Investments†	0.00	0.00	0.00	0.00	0.00
Loans Receivable:net of allowance for bad debts	229,132.29	350,770.50	502,837.04	651,716.00	872,442.00
Interest and Other Receivables	0.00	0.00	0.00	0.00	0.00
Prepaid Interest	0.00	0.00	0.00	0.00	0.00
Unexpired Bond Premium	0.00	0.00	0.00	10,358.00	10,325.00
Prepayments**	0.00	0.00	0.00	0.00	0.00
Time Deposits	0.00	0.00	0.00	0.00	0.00
Other Current Assets***	0.00	0.00	0.00	0.00	0.00
TOTAL CURRENT ASSETS	255,952.57	376,462.64	566,952.28	683,138.00	992,171.00
Fixed Assets					
Land	0.00	0.00	0.00	0.00	0.00
Properties & Equipment--net of accumulated dep'n.:	1,671.98	4,734.38	9,912.14	27,035.00	10,785.00
TOTAL FIXED ASSETS	1,671.98	4,734.38	9,912.14	27,035.00	20,785.00
INVESTMENTS****	0.00	0.00	0.00	0.00	0.00
OTHER ASSETS*****	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	257,324.55	381,197.02	576,864.42	710,174.00	1,032,957.00
LIABILITIES, FUNDS & EQUITY					
L I A B I L I T I E S					
Savings Deposit	31,649.41	37,359.05	64,150.81	128,526.00	262,402.00
Time Deposit	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00
Loans Payable	0.00	0.00	0.00	0.00	0.00
Interest on Share Capital Payable	1/	2/	3/	4/	5/
Interest on Savings Deposit Payable	0.00	0.00	0.00	0.00	0.00
Interest on Time Deposit Payable	0.00	0.00	0.00	0.00	0.00
Accrued Expenses Payable	0.00	0.00	0.00	150.00	3,568.00
Withholding Taxes Payable	0.00	0.00	0.00	0.00	0.00
Due to CEIF	1,164.85	2,243.35	2,584.32	2,832.00	360.00
Patronage Refund Payable	1/	2/	3/	4/	5/
Audit Fee Payable	0.00	0.00	0.00	0.00	0.00
Interest Payable	0.00	0.00	0.00	0.00	0.00
Other Payables*****	0.00	0.00	0.00	0.00	1,613.00
Deferred Income	0.00	0.00	32,344.32	46,760.00	51,200.00
Other Liabilities*****	0.00	0.00	0.00	0.00	0.00

PAGO CREDIT COOPERATIVE, INC.
BALANCE SHEET

Balance Sheet Item	1984	1985	1986	1987	1988
TOTAL LIABILITIES	47,535.55	39,602.40	131,573.77	205,170.00	319,183.00
F U N D S					
General Reserve Fund	2,096.73	4,838.03	7,648.51	10,693.00	11,539.00
Educational Fund	1,164.85	1,053.85	1,899.68	3,591.00	2,160.00
Kilusang Bayan Guarantee Fund	373.98	810.75	1,730.94	161.00	196.00
Audit Contingency Fund	0.00	0.00	0.00	0.00	0.00
Loan Protection Plan Fund	0.00	0.00	0.00	0.00	0.00
Donated Capital	0.00	0.00	0.00	0.00	0.00
Other Funds*****	0.00	0.00	0.00	0.00	503.00
Undivided Savings	0.00	0.00	0.00	0.00	0.00
Net Savings for the Period	0.00	0.00	0.00	0.00	0.00
TOTAL FUNDS	3,635.56	5,902.63	11,279.13	14,445.00	14,398.00
MEMBERS EQUITY					
Share Capital*****	206,153.44	310,220.27	434,011.52	490,358.70	661,233.00
TOTAL LIABILITIES, FUNDS & EQUITY	257,324.55	363,725.30	576,864.42	710,173.00	994,814.00

1/ Interest on Share Capital & Patronage Refund Payable (Aggregated) = 14,721.29

2/ Interest on Share Capital & Patronage Refund Payable (Aggregated) = 17,471.72

3/ Interest on Share Capital & Patronage Refund Payable (Aggregated) = 32,494.32

4/ Interest on Share Capital & Patronage Refund Payable (Aggregated) = 27,701.69

5/ Interest on Share Capital & Patronage Refund Payable (Aggregated) = 7,149.00

*****Investments: Time Deposits, Trust Investments

*****Prepayments: Prepaid Insurance, Prepaid Maintenance Expenditure, Prepaid Rent

*****Other Current Assets: Merchandise Inventory, Office Supplies Inventory, Unused Office Supplies

*****Investments: Capital Build-up

*****Other Assets: Guarantee Deposit, Acquired Assets, Education Fund, Advances to Officers and Employees, Capital Meter Deposit, Acquired Assets

*****Other Payables: Bonus Payable on Share Capital, SSS, Medicare Premium; Loans Payable Payable; PAG-IBIG Funds Payable; Mortuary Aid Payable

*****Other Funds: Mortuary/Damayan Fund; Cash Over & Short Fund;

Medico-Dental Fund; Construction & Expansion Fund; KB Guarantee Fund

*****Other Liabilities: Advances from Officers; Death Benefit Plan, Loan; Due to CUP Insurance Plan; Accrued Honorarium

*****Share Capital: Fixed Deposits, Net Income for the Period

NOTE: (0.00) - was not declared a Balance Sheet account by the CCU

PACO CREDIT COOPERATIVE, INC.
DISTRIBUTION OF NET SAVINGS

Item	1984	1985	1986	1987	1988
NET SAVINGS BEFORE PROVISIONS	18,451.67	24,891.13	41,036.64	35,249.49	18,248.00
Provision for KSGF	277.24	436.77	928.19	1,428.18	1,792.00
Provision for CETF	1,817.44	2,157.00	4,011.65	3,382.93	761.00
General Reserve Fund	1,635.70	1,941.30	3,610.48	3,044.63	846.00
Interest on Share Capital	1/	2/	3/	4/	5/
Patronage Refund Payable	1/	2/	3/	4/	5/

1/ Interest on Share Capital and Patronage Refund Payable = 14,721.29

2/ Interest on Share Capital & Patronage Refund Payable = 17,471.72

3/ Interest on Share Capital & Patronage Refund Payable = 32,494.32

4/ Interest on Share Capital & Patronage Refund Payable = 27,701.69

5/ Interest on Share Capital & Patronage Refund Payable = 7,149.00

CONSOLIDATED INCOME STATEMENT
PACO CREDIT COOPERATIVE, INC.

Income Statement Item	1984	1985	1986	1987	1988
GROSS INCOME					
Interest on Loans	18,131.63	28,982.68	56,784.32	82,257.00	102,266.00
Service Fee	7,138.58	9,368.98	14,425.32	50,350.00	71,158.00
Filing Fee	-	8.00	-	-	-
Fines	712.33	3,471.34	1,676.33	4,675.00	2,084.00
Surcharge	-	8.00	-	-	-
Membership Fee	480.00	620.00	1,620.00	1,750.00	1,665.00
Seminar Fee	-	8.00	-	-	-
Interest Income	2,574.64	3,220.94	3,268.89	1,293.00	1,669.00
Income from Investment	-	8.00	-	-	-
Annual Dues	-	-	139.50	139.00	139.00
Inspection Fee	-	8.00	-	-	-
Notarial Fee	-	8.00	-	-	-
Other Income*	1,261.15	1,321.98	14,244.40	1,694.00	346.00
TOTAL GROSS INCOME	30,298.25	46,897.92	92,158.76	142,158.00	179,327.00
EXPENSES					
Interest Expense	-	-	-	-	-
Savings Deposit	-	2,087.38	4,924.36	2,845.00	8,180.00
Time Deposit	-	-	-	-	-
Loans	-	-	-	-	-
Sub-total	0.00	2,087.38	4,924.36	2,845.00	8,180.00
Administrative Cost					
Salaries & Wages	2,100.00	7,410.00	24,865.35	56,991.00	90,557.00
Honoraria & Per Diem	-	-	-	-	-
Clothing Allowance	-	-	-	-	-
Living Allowance	-	-	-	-	-
Rec. Allowance	-	-	-	-	-
Collection Expenses	-	-	-	-	-
Personnel Development Expenses	-	-	-	-	-
Sick Leave and Vacation Leave	-	-	-	-	-
Transp. Allowance	245.50	181.30	84.75	210.00	212.00
13th Month Pay	-	-	-	-	-
Bonus	-	-	-	-	-
PAG-IBIG Contribution	-	-	-	-	-
SSS, MED & EDC	-	-	-	-	-
Overtime Pay	-	-	-	-	-
Allowances-Committees	-	-	-	-	-
Tellers' Allowance	-	-	-	-	-
Board Meeting Expense	-	-	-	-	-
Incentive Pay	-	-	-	-	-
Other Administrative Cost**	-	-	79.40	-	2,129.00
Sub-total	2,345.50	7,591.30	25,029.50	57,201.00	92,998.00
Other Operating Expense					
Stationery & Office Supplies	2,809.85	4,905.05	5,787.45	8,264.00	12,116.00
Postage, Telephone & Periodicals	-	-	-	-	-
Light & Water	-	-	-	1,800.00	4,932.00
Repairs & Maintenance	-	1,687.70	1,318.90	4,719.00	1,865.00
Depreciation Expense	1,316.24	966.60	2,737.24	4,471.00	6,096.00

CONSOLIDATED INCOME STATEMENT
PACO CREDIT COOPERATIVE, INC.

Income Statement Item	1984	1985	1986	1987	1988
KB Guarantee	-	-	-	-	-
Inspection Expenses	-	-	-	-	-
Insurance	-	-	-	-	-
Bank Charges	294.11	759.10	-	-	-
Office Rent	-	-	-	-	-
Audit Expense	-	-	-	-	-
Promotion/Advertisement/Donation	-	1,500.00	3,990.00	200.00	3,910.00
General Assembly	500.00	1,500.00	3,385.00	5,000.00	10,750.00
Bad Debts	-	-	2,297.92	14,202.00	8,959.00
NCUM Expenses	-	-	-	-	-
Retainer's Fee	-	-	-	-	-
Security Service	-	-	-	-	-
Legal Expenses	-	0.00	-	-	-
Separation Pay	-	0.00	-	-	-
Taxes & Licenses	-	0.00	-	-	224.00
Interest Rebate	-	0.00	-	-	-
Training, Seminar & Conference Expense	2,097.55	-	-	-	-
Mutya Expense	-	-	-	-	-
Bond Expense	-	-	-	-	-
Contractual Services	-	-	-	-	-
Representation & Entertainment	-	0.00	-	-	-
Travelling Expenses	-	0.00	-	-	-
Miscellaneous***	2,483.33	3,894.00	1,372.75	7,928.00	10,963.00
Sub-total	9,501.08	15,212.45	20,089.26	46,584.00	67,723.00
Ed Cor Expense	0.00	0.00	0.00	0.00	0.00
Administrative Expense	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENSES	11,841.55	24,891.13	50,843.12	106,630.00	165,881.00
NET SAVINGS BEFORE STATUTORY PROVISION	10,451.67	22,006.79	41,315.64	35,529.00	10,526.00

1/ Interest on loans (net of rebates)

2/ Interest Rebates incorporated in Interest on Loans

- no data available

NOTE: *Other Income: Dividend Income, Withdrawal Fees, Supply Sales, Terminal Fees, Registration Fees, Commission Income, Application Fees, Rent Income

**Other Administrative Costs: Commission, Employees' W

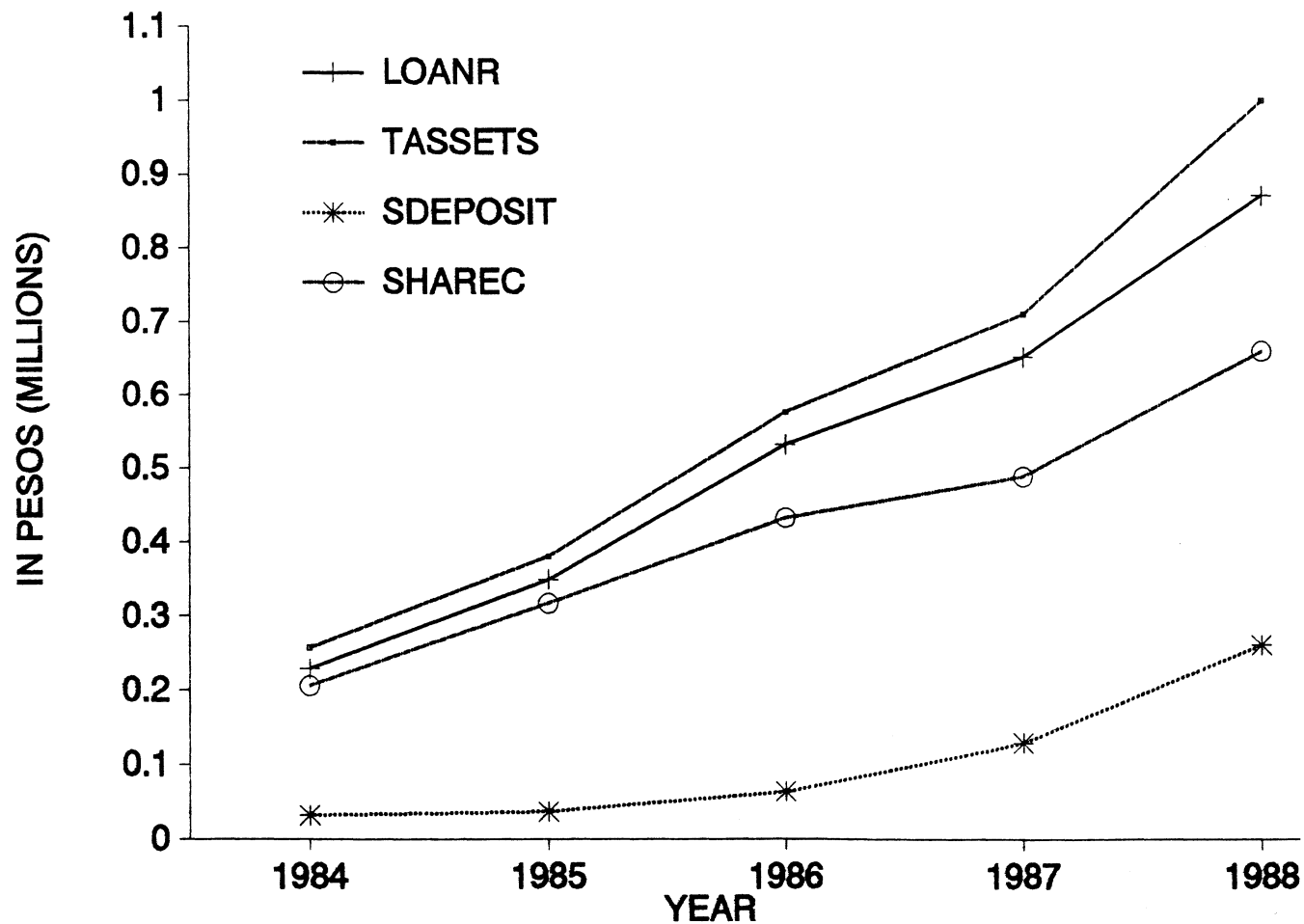
***Miscellaneous Expenses: Computer Expenses, Professional Fees, Office Improvements Expenses, Membership Affiliation Dues, Mortuary Expenses, Mass Dues, Election Expenses, Registration Expenses, Sponsors Fee, Management Information System

PACCO CREDIT COOPERATIVE, INC.
FINANCIAL RATIOS 1984 - 1988

RATIOS	1984	1985	1986	1987	1988
Asset Concentration:					
Current Assets to Total Assets	0.99	0.99	0.98	0.96	0.92
Fixed Assets to Total Assets	0.01	0.01	0.02	0.04	0.08
Loans to Total Assets	0.89	0.92	0.92	0.92	0.97
Share of Deposits:					
Deposits to Total Liabilities	0.67	0.94	0.49	0.65	0.82
Deposits to Share Capital	0.15	0.12	0.15	0.24	0.42
Deposits to Total Resources	0.12	0.12	0.11	0.13	0.21
Loans to Deposits Ratio	7.24	9.72	2.01	5.27	3.00
Profitability Ratios:					
Net Income before statutory provisions to Gross Income	0.51	0.47	0.45	0.25	0.26
Interest on Loans to Gross Income	0.60	0.62	0.62	0.59	0.57
Interest on Loans to Net Income before statutory provisions	0.98	1.31	1.37	2.32	9.72
Net Income before statutory provisions to Share Capital	0.09	0.07	0.10	0.37	0.02
Net Income before statutory provisions to Total Assets	0.07	0.26	0.07	0.35	0.31

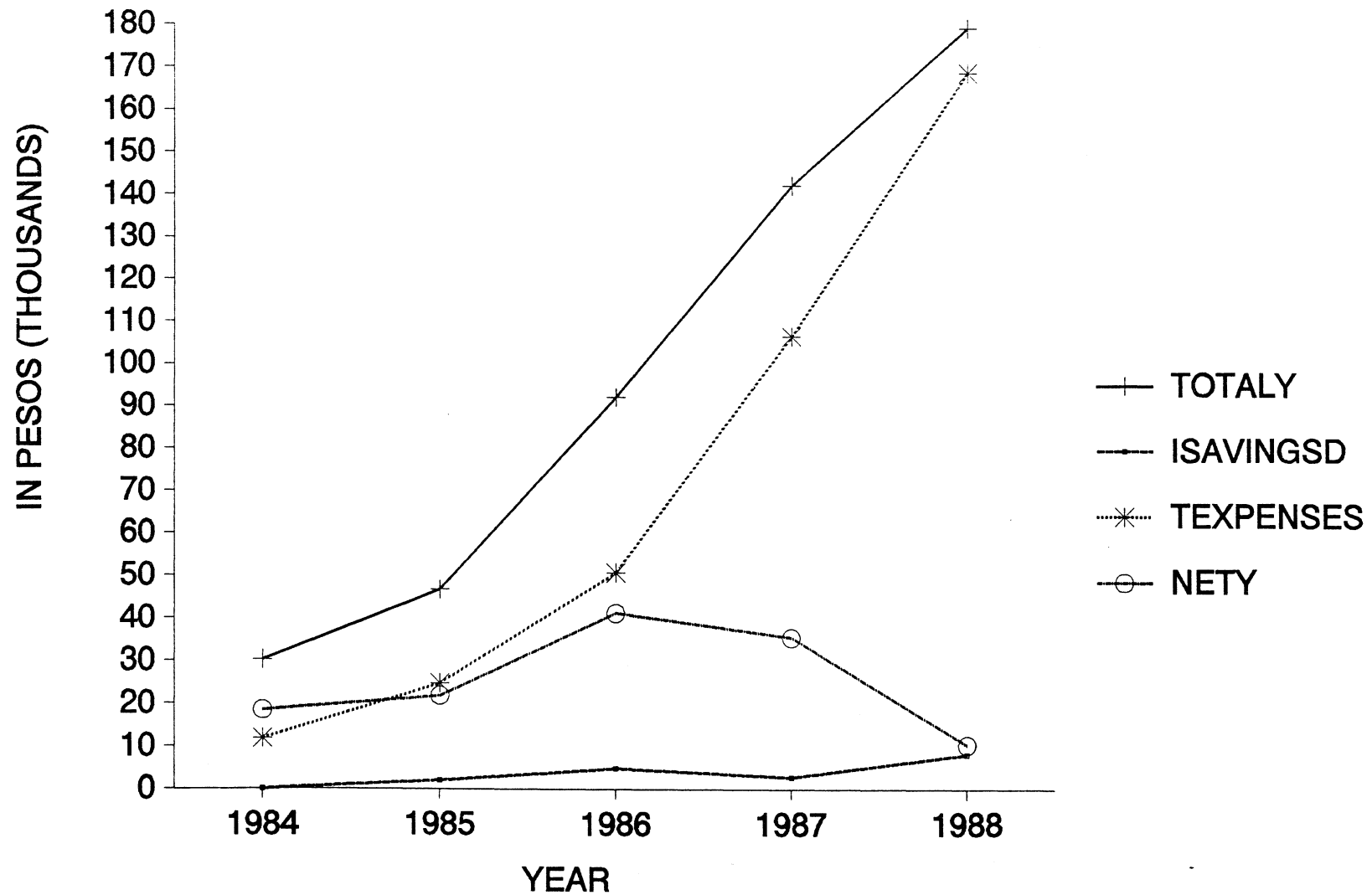
BALANCE SHEET

PACO CREDIT COOPERATIVE, INC.



INCOME STATEMENT

PACO CREDIT COOPERATIVES, INC.



III. The Status of the PFCCI - PIDS - OSU Survey Project

The foregoing underscores the range of analysis one can undertake with a complete set of income statements and balance sheets. Software is available in PIDS to carry out this analysis regularly. Moreover, the staff at PIDS is prepared to transfer this capability to PFCCI. However it is important to secure a complete documentation of the PFCCI so that it can monitor its network regularly and systematically. Dissemination of this documentation and related performance ratios could be made throughout the PFCCI network to facilitate local management capacity and pinpoint potential problem areas that should be explored further with PFCCI technical assistance teams.

Enclosed as an addendum in this section is a status report on the data collection in the PFCCI-PIDS-OSU survey effort. As can be noted some management and member questionnaires are still uncompleted. No doubt the PFCCI staff is overburdened with many other tasks and have found it difficult to complete these surveys as scheduled.

We would have liked to have had the complete data set for documentation and analysis. However, in light of the difficulties encountered by PFCCI to complete these surveys, PIDS and OSU will move ahead and begin analysis of the available data in hand for the final report for this study. We are confident this effort will offer valuable insights into the growth, performance, and potential problem areas in the PFCCI subset under study. To offer a perspective on the type of analysis that can be undertaken with member survey data, section IV of the report highlights the findings from the recently completed member survey of the non-PFCCI credit cooperatives surveyed by PIDS.

Manager Questionnaire of the PFCCI Baseline Survey

Credit Unions	Manager Questionnaire	Forms	
		Completed (as of June 19, 1990)	Lacking
1. Tabuk Credit Coop.	completed	1,2,3,4,5,6,7,8	none
2. St. Martin of Tours	completed	2,3,4,5,6,7,8	1
3. Gen. Mariano Alvares	completed	2,4	1,3,5,6,7,8
4. Our Lady of Grace	completed	none	1,2,3,4,5,6,7,8
5. Paco Credit Coop.	completed	1,2,3,4,5,6,7,8	none
6. Bacolod Public Sch.	completed	1,3,5,6,7,8	2,4*
7. San Miguel Corp.	completed	1,2,3,4,5,6,8	7
8. St. Isidore's	completed	3,5,6,8	1,2,4,7
9. FICCO	completed	1,2,3,4,5,6,7,8	none
10. MSU-IIT	completed	1,2,3,4,5,6,7,8	none
11. Fil. Merchants	completed	none	1,2,3,4,5,6,7,8
12. Notre Dame of Bongao	completed	1,2,3,4,5,6,7,8	none

* Forms 2 and 4 were sent back unaccomplished. Records not available.

Member Questionnaires of the PFCCI Baseline Survey

Credit Unions	Total Respondents	Completed (as of June 19, 1990)	Lacking
1. Tabuk Credit Coop.	25	25	0
2. St. Martin of Tours	51	51	0
3. Gen. Mariano Alvares	7	10	0
4. Our Lady of Grace	45	0	45
5. Paco Credit Coop.	4	0	4
6. Bacolod Public Sch.	20	20	0
7. San Miguel Corp.	13	1	12
8. St. Isidore's	10	8	2
9. FICCO	80	68	12
10. MSU-IIT	12	12	0
11. Fil. Merchants	24	24	0
12. Notre Dame of Bongao	9	8	1
<i>Total</i>			

IV. The PIDS-OSU Credit Union and Member Survey of Eight Non-PFCCI Credit Cooperatives in the Philippines

A. Introduction

Throughout late 1989 and early 1990, the PIDS-OSU project carried out a survey of eight credit unions located largely in rural areas in the provinces of Batangas, Laguna and Pangasinan. Two hundred members were interviewed out of roughly 3000 active and inactive members of the eight CCUs. Membership ran from 151 in the smallest CCU to 887 in the largest with most in the 200 to 350 member range. The sample sizes ranged between 5 and 29 percent of each CCU and was drawn using a random sampling technique. The differential CCU sample sizes were calibrated in accordance to the weight of each CCU's membership in the total membership of 3000 members. Two sets of questionnaires were administered, one for managers, the other for randomly selected members. Financial statements of all eight CCUs were obtained for the period 1984-88.

The questionnaires used for these surveys formed the base for those subsequently designed for the PIDS-OSU-PFCCI survey of 12 PFCCI CCUs. The findings from both the current non-PFCCI survey and the on-going PFCCI CCU survey will be compared. On the whole the non-PFCCI CCUs reported on here are more rudimentary CCUs (compared to most of those chosen for the PFCCI survey). Furthermore these non-PFCCI do not belong to any national federation. It is expected that these contrasting samples will add more insight into the recent evolution and performance of the credit union movement in the Philippines.

B. Financial Performance of the Sample CCUs

One of the more striking findings for the eight CCUs was the extreme volatility of their assets over the period 1984-88. Most suffered substantially from the impact of inflation on the real value of their assets. They were unable to adjust their lending and savings rates to inflation. Another reason for the unsustainable growth of real assets was their heavy reliance on fixed deposits rather than savings deposits. Low returns on share capital combined with a restrictive individual loan ceiling discouraged the growth of fixed deposits beyond the initial amount needed to qualify for membership.

The failure to promote savings deposits lay in their tendency to avoid the challenge of introducing new managerial technology to manage savings deposits and withdrawals. Among other things this would require a full time, paid staff, something which a number of these CCUs avoided. Hence the growth of assets rested primarily on the growth of new membership purchasing share capital.

Another factor limiting growth of assets was the relatively high incidence of overdue loans. Some arrears rates fell into the ten to twenty percent range, however the majority recorded well over 50 percent arrears for much of the period. These findings highlight the importance of introducing new products (i.e. savings deposits), a more sophisticated form of management to administer these new services, as well as more disciplined efforts to improve loan recovery. Unless these three features are addressed, it will be difficult for these credit unions to experience any substantial growth in real assets in the future.

C. The CCU Member Survey

1. Socio-Economic Benchmarks

Out of the 200 member random sample, seventy five percent (75%) were female with a high level of literacy and reasonable indicators of educational achievement. Ninety two percent (92%) had some secondary schooling. Eighty six percent (86%) were employed during the last twelve months with 80 percent listed as salaried employees. Eleven percent (11%) ran businesses and only nine percent (9%) were farmers. The majority were married with an average family size of 3 children and an average age of 47 years.

Of those actively employed the average annual income of salaried workers was 28,308 pesos at the time of the survey. The average annual income of these individual members was 25,603 pesos at the time they joined the credit union during the 1980s. Some 56 percent of the member-respondents had other family members working within their households. The average annual family income at the time of the survey was 53,232 pesos, substantially larger than the individual member income reported above.

2. Borrowing and Savings Patterns of CCU Members

It is instructive to review the formal and informal savings and loan activity of CCU member-respondents. This includes activity within the CCU and outside their credit cooperative. Focusing first on savings activity within the CCUs, there was a 500 peso minimum share for membership in all CCUs. The average share holding was roughly three

times this size (1,686 pesos). Given the lack of emphasis on savings deposit accounts, it was not surprising to note that only 24 percent (i.e. 48 respondents) of the 200 member sample had savings accounts. Only 6 percent made regular monthly deposits. The more common practice for those with deposits was to engage in two or three deposit activities a year. The average balance of savings deposits was small (only 2,000 pesos) and they cannot be used to increase loan capacity unless they are converted to fixed deposits (i.e. share accounts).

Again, of the 24 percent of the sample who had savings deposit accounts, 65 percent of the subsample of depositors state that their CCU offers lower interest rates than nearby banks. Only 6 percent said their CCU offered higher deposit rates (the remaining 29 percent said the rates were roughly equal). This high percent indicating greater incentives for savings deposits in banks suggests there would be a significant percentage of member-respondents with savings deposits in banks. This is what was found. But of the 200 member sample 96 (48%) had savings deposits in banks. Moreover 35 (17%) were active depositors. On average the member-respondents with bank savings accounts hold average savings balances considerably greater than those in their CCUs (i.e. 19,600 pesos vs. 2,000 pesos) for an average term of 6 months and a deposit interest rate of 11 percent. Hence the higher income members tended to resort to bank savings accounts given the absence of incentives to deposit savings in their CCUs. Informal savings in Paluwagans appealed to lower income members with monthly contributions of only 168 pesos for ten percent of the respondents.

Turning now to loan activity 86 percent of the sample has applied for loans. Consumption, medical, and family educational needs were the principal loan uses along with household improvements. Loan sizes ranged from 200 to 10,000 pesos with an average loan

size of 3,560 pesos. Given the average fixed deposit size of 1,689 pesos, the average loan multiple was two. The average loan maturity was 10 months at an average interest rate of 15 percent. However some loans were made at 24 percent interest rates. A substantial majority of the loans had interest rates discounted in advance.

The cost of credit in the CCUs were generally lower than in banks. Collateral was not required except for very high amounts. Loan processing time was relatively short, on average only 7.5 days. Delays were due to a shortage of funds. Generally loans were not refused, however the average loan received was 28 percent lower than the amount requested, indicating quantity rationing of credit in the face of a shortage of funds. Only 3 out of 173 respondents with loans experienced rejections. Some 49 percent of loan recipients had repaid their loans completely or partially at the time of the interview with 45 percent admitting to some difficulties in meeting their obligations. Only 10 percent of the respondents had loans from banks. However these loans (generally from rural banks) were substantially larger on average than the average loan size in the CCUs (18,416 vs. 3,560 pesos) with an average term of 16 months and an interest rate of 19 percent. Only 4 percent of the sample had loans from informal sources such as money lenders at a monthly interest rate of 9.5 percent. However a larger percent (37%) had borrowed from friends and neighbors. These family-friend sources had been resorted to on average 3 times within the past 12 months. These were roughly the same average loan size as those serviced in the CCU (4,208 vs. 3,560 pesos) and for an average term of 53 days.

V. Conclusions

The non-PFCCI-CCU member survey highlights extensive savings and loan activity both within these CCUs and to some extent outside the CCU network (especially for savings). Informal loan activity is also apparent in the sample. Not surprisingly those CCU members with bank savings and loan activity register higher average amounts than the averages for CCU deposits and loans while informal savings and loan balances are either comparable to or less than the CCU average. These findings, along with the socio-economic benchmark data for CCU members in their non-PFCCI credit cooperative sample indicate a range of socio-economic levels within these CCUs.

This range of socio-economic income levels and equally wide range between the CCU and formal savings and loan average balances suggest an ample potential for the CCUs to draw upon to expand its savings and loan services. To achieve this potential, however, will require a more innovative supply of services with greater incentive to utilize savings deposits rather than relying principally on share deposits. A more adept management is necessary to implement these changes required for further expansion of the CCUs.

It will be particularly revealing to compare these findings for the non-PFCCI set of credit cooperatives to the results emerging from the PIDS-OSU-PFCCI management and member surveys. The PFCCI set of CCUs in our survey have larger membership bases and are engaged in extensive loan activity built on a larger savings deposit base than is characteristic of the non-PFCCI set analyzed here. Furthermore, the PFCCI credit cooperatives have been members of a national federation and presumably better able to adopt more sophisticated management techniques through the technical assistance services

of the PFCCI. Finally one would presume that the membership base in many of the PFCCI CCUs in our survey would come from higher socio-economic income levels than was characteristic of the non-PFCCI CCU network reviewed here.

It would be particularly instructive to note the degree to which management practices are substantially different in these two subsets of CCUs in the Philippines and the degree to which membership in a national federation makes a difference in this regard. Finally it would be of interest to note the contrasting member behavior within these two subsets of CCUs particularly with regard to savings and borrowing behavior within and outside their credit cooperatives. It is to be hoped that the data currently lacking in the PFCCI network can be rectified soon to allow us to move ahead with an even more complete data base than is currently at hand in PIDS. The final results could make a substantial contribution to the literature on credit unions in low income countries.

